

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Aqua Illinois, Inc.	:	
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Proposed general increase in water and sewer rates for its Hawthorn Woods Service Area. (Tariffs filed November 16, 2007)	:	07-0620
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Aqua Illinois, Inc.	:	
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Proposed general increase in water and sewer rates for its Willowbrook Service Area. (Tariffs filed November 16, 2007)	:	07-0621
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Aqua Illinois, Inc.	:	
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Proposed general increase in water rates for its Vermilion service area. (Tariffs filed January 2, 2008)	:	08-0067 (Consol.)
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INTERIM ORDER

August 27, 2008

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INTERIM ORDER

By the Commission:

I. INTRODUCTION

A. Procedural History

On November 16, 2007, Aqua Illinois, Inc., Hawthorn Woods Water and Sewer Divisions and Willowbrook Water and Sewer Divisions (“Aqua” or “Company”) filed revised tariff sheets in which it proposed a general increase in water and sewer rates to become effective February 16, 2008. For the Hawthorn Woods Water and Sewer Divisions, these tariff sheets were identified as: Ill.C.C. No. 47, Section No. 10, 3rd Revised Sheet No. 2 and Original Sheet No. 6; and Ill.C.C. No. 48, Section No. 7, 1st Revised Sheet No. 2. For the Willowbrook Water and Sewer Divisions, these tariff sheets were identified as: Ill.C.C. No. 47, Section No. 3, 1st Revised Sheet Nos. 1, 2, 3, 4, 5 and 6; and Ill.C.C. No. 48, Section No. 2, 1st Revised Sheet Nos. 1, 2, 3, and 4. For the Hawthorn Woods Water and Sewer Divisions, the Company simultaneously provided written Direct Testimony supporting the proposed general increase by Mr. Tod McCleary, Mr. Paul Hanley, Mr. Harold Walker, Mr. David R. Monie, and Mr. John Guastella. For the Willowbrook Water and Sewer Divisions, the Company simultaneously provided written Direct Testimony supporting the proposed general increase by Mr. Gerald P. Connolly, Mr. Paul Hanley, Mr. Harold Walker, Mr. David R. Monie, and Mr. John Guastella.

On December 19, 2007, the Illinois Commerce Commission (“Commission”) suspended the filing up to and including May 30, 2008, for a hearing on the proposed rate increase. On May 21, 2008, the Commission re-suspended the tariffs up to and including November 30, 2008.

On January 2, 2008, Aqua, Vermilion Water Division filed revised tariff sheets in which it proposed a general increase in water rates to become effective February 16, 2008. For the Vermilion Water Division, these tariff sheets were identified as: Ill.C.C. No. 47, Section No. 8, 5th Revised Sheet Nos. 2, 3, 4, 5, and 8 and 1st Revised Sheet Nos. 9, 10, 11, 12, and 13. The Company simultaneously provided written Direct Testimony supporting the proposed general increase by Mr. Thomas Bruns, Mr. Paul Hanley, Mr. Harold Walker, Mr. David R. Monie, and Mr. John Guastella.

On January 30, 2008, the Commission suspended the filing to and including May 30, 2008, for a hearing on the proposed rate increase. On May 21, 2008, the Commission re-suspended the tariffs to and including November 30, 2008.

On February 6, 2008, the Company’s oral motion to consolidate Docket Nos. 07-0620 and 07-0621 was granted without objection. On February 28, 2008, the Company’s oral motion to consolidate Docket No. 08-0067 with Consolidated Docket Nos. 07-0620 and 07-0621 was granted without objection.

On February 20, 2008, in Docket No. 08-0067, a Petition for Leave to Intervene was filed by the Attorney General’s Office. No other parties filed petitions to intervene.

On May 8, 2008, Commission Staff (“Staff”) filed the Direct Testimony of Bonita A. Pearce, Dianna Hathorn, Michael McNally, William R. Johnson, Cheri L. Harden, Jonathan M. Sperry and William H. Atwood, Jr. On June 27, 2008, Staff filed the Supplemental Direct Testimony of William R. Johnson. Rebuttal Testimony of Company witnesses Mr. Terry J. Rakocy and David R. Monie was filed on July 2, 2008. In addition to responding to issues raised by Staff, Mr. Rakocy adopted the Direct Testimony of Company witnesses McCleary and Connolly. Rebuttal Testimony of Staff witnesses Harden and Johnson was filed on July 14, 2008. Company Surrebuttal Testimony from Mr. Monie was filed on July 17, 2008. Various revisions to the aforementioned testimonies were subsequently filed. No other party filed testimony.

On July 15, 2008, the Company and Staff filed a Stipulation Concerning Resolution of Certain Issues in Consolidated Docket Nos. 07-0620, 07-0621 and 08-0067 (“Stipulation”).

Pre-hearing conferences were held in this matter on February 6, 2008, February 28, 2008, and July 8, 2008. An evidentiary hearing was conducted on July 23, 2008. At the conclusion of the hearing on July 23, 2008, the record was marked “Heard and Taken.”

On July 23, 2008, Staff and Aqua agreed that no contested issues remained between them for the Hawthorn Woods, Willowbrook and Vermilion Water Divisions, thereby alleviating the need to file briefs for those divisions. Rather, Staff and the Company agreed to provide the Commission with a Proposed Joint Interim Order. On

August 12, 2008, Staff and Aqua filed a Joint Draft Order. Staff and the Company agreed to file Initial Briefs on August 13, 2008, for the sole remaining issue between them in the Hawthorn Woods and Willowbrook Sewer Divisions. For those two divisions, Staff and the Company agreed to file Reply Briefs by August 20, 2008. Staff and the Company agreed to file Briefs on Exception within 7 days after the issuance of the ALJ's Proposed Order and also agreed to waive the filing of Reply Briefs on Exception.

B. Nature of Operations

Aqua is a subsidiary of Aqua America, Inc., and is engaged in the business of providing water and sewer service to the public in Illinois. The Company's Hawthorn Woods Water and Sewer Divisions serve residential, commercial, and municipal customers located in the Village of Hawthorn Woods, Illinois. The Company's Willowbrook Water and Sewer Divisions serve residential and commercial customers in unincorporated areas near the Village of Crete, Illinois. The Company's Vermilion Water Division serves residential, commercial, industrial, wholesale, and municipal customers located in Vermilion County, Illinois.

For the Hawthorn Woods Water and Sewer Divisions, the rates in existence during the pendency of this proceeding were established by the Order entered in Docket Nos. 03-0455 and 03-0550 (Consolidated). The Company requested the rate increase to recover its operating and maintenance expenses, including those expenses necessarily incurred to comply with federal and state regulations. The Company explained that current 2008 test year levels of expenses and rate base have increased because (1) the operational costs of the divisions were substantially higher than initially projected; (2) the needs of the area are such that the system capacities had to be increased to maintain a viable and expandable system; and (3) a capital investment in new facilities of approximately \$1.5 million had to be made. The Company asserts that for the 2008 test year, the rate of return on rate base for the Hawthorn Woods Water Division has declined to 0.73% at present rates. The Company further asserts that for the 2008 test year, the rate of return on rate base for the Hawthorn Woods Sewer Division has declined to 0.28% at present rates.

For the Willowbrook Water and Sewer Divisions, the rates in existence during the pendency of this proceeding were established by the Orders entered in Docket Nos. 90-0073 and 91-0317. The Company requested the rate increase to recover its operating and maintenance expenses, including those expenses necessarily incurred to comply with federal and state regulations. The Company asserts that for the 2008 test year, the rate of return on rate base for the Willowbrook Water Division has declined to 2.21% at present rates. The Company further asserts that for the 2008 test year, the rate of return on rate base for the Willowbrook Sewer Division has declined to 2.26% at present rates.

For the Vermilion Water Division, the rates in existence during the pendency of this proceeding were established by the Order entered in Docket No. 04-0442. Aqua requested the rate increase to implement its \$20 million capital expenditure program, which it argues is necessary to improve an aging infrastructure, implement requirements for compliance with federal and state drinking water regulations, and to recover its

operating and maintenance expenses. Among the capital expenditure projects being undertaken for the Vermilion Water Division are the construction of a new 1,000,000 gallon elevated water storage tank, the construction of a 250,000 gallon elevated water storage tank, and the replacement of under-sized water mains.

C. Test Year

In the docket for the Hawthorn Woods and Willowbrook Water and Sewer Divisions, the Company proposed, and Staff accepted, a future test year of the twelve months ending December 31, 2008. The 2008 test year data were based on the Company's projections of revenues, expenses, and rate base items for 2007-08. The specific procedures followed and assumptions made in developing the projections were discussed in the Direct Testimony of Mr. Hanley.

In the docket for the Vermilion Water Division, the Company proposed, and Staff accepted, a future test year of the twelve months ending December 31, 2009. The 2009 test year data were based on the Company's projections of revenues, expenses, and rate base items for 2007-09. The specific procedures followed and assumptions made in developing the projections were discussed in the Direct Testimony of Mr. Hanley.

The Company offered the opinion of the London Witte Group, an independent certified public accounting firm, stating that the Company complied with the Guide for Prospective Financial Information (1999), issued by the American Institute of Certified Public Accountants, in the preparation and presentation of its projections. No party objected to the Company's use of a Future Test Year. Based on the evidence, the Commission finds that the 2008 test year should be used in setting rates for the Hawthorn Woods and Willowbrook Water and Sewer Divisions and the 2009 test year should be used in setting rates for the Vermilion Water Division.

D. Requested Increase

For the Hawthorn Woods and Willowbrook Water and Sewer Divisions, the Company's filings support increases ranging from 65% to 110%; however, the Company has proposed new rates limiting the increase for all four divisions to approximately 35%. For the Vermilion Water Division, the Company's filings support an increase of approximately 21%; however, the Company had proposed new rates limiting the increase to approximately 19%. Based on its agreement with Staff, the Company has now agreed to limit its increase to approximately 15.43%.

E. Stipulation

The July 15, 2008, Stipulation between Staff and the Company sets forth the numerous agreements between the two parties as they relate to the five divisions at issue in these proceedings. In each of the five divisions, Staff and the Company reached settlement on revenue requirement. Additionally, Aqua agreed to provide at the time of filing of future rate proceedings all work papers, including data, an explanation of how the pro forma number of customers and billing units were derived, and an explanation of the assumptions used to adjust customers and billing units. Staff

and Aqua agreed that the resolution of issues is for settlement purposes only and shall not bind either party in any future consideration of the issue.

With respect to the Hawthorn Woods Water Division, the Company agreed and stipulated to the resolution of Working Capital, Incentive Compensation, Payroll Taxes, Executive Perquisites, Rate Case Expense, Amortization of Organization Costs, Parent Company Service Charges, Organization Costs, Utility Plant in Service, and Accrued OPEB Liability issues in a manner consistent with the positions taken and adjustments proposed by Staff. Aqua and Staff also agreed on an Original Cost Determination and an amortization period as set forth in Appendix A of the Stipulation.

With respect to the Hawthorn Woods Sewer Division, the Company agreed and stipulated to the resolution of Working Capital, Incentive Compensation, Payroll Taxes, Executive Perquisites, Rate Case Expense, Amortization of Organization Costs, Parent Company Service Charges, Organization Costs, Utility Plant in Service and Accrued OPEB Liability issues in a manner consistent with the positions taken and adjustments proposed by Staff. Aqua and Staff also agreed on an Original Cost Determination and an amortization period, as set forth in Appendix B of the Stipulation.

With respect to the Willowbrook Water Division, the Company agreed and stipulated to the resolution of Working Capital, Incentive Compensation, Payroll Taxes, Executive Perquisites, Rate Case Expense, Uncollectibles Expense, Parent Company Service Charges, Tank Painting, Utility Plant in Service and Accrued OPEB Liability issues in a manner consistent with the positions taken and adjustments proposed by Staff.

With respect to the Willowbrook Sewer Division, the Company agreed and stipulated to the resolution of Working Capital, Incentive Compensation, Payroll Taxes, Executive Perquisites, Rate Case Expense, Uncollectibles Expense, Parent Company Service Charges, Utility Plant in Service and Accrued OPEB Liability issues in a manner consistent with the positions taken and adjustments proposed by Staff.

With respect to the Vermilion Water Division, the Company agreed and stipulated to the resolution of Working Capital, Incentive Compensation, Payroll Taxes, Executive Perquisites, Rate Case Expense, Uncollectibles Expense, Parent Company Service Charges, Tank Painting, Utility Plant in Service, and Accrued OPEB Liability issues in a manner consistent with the positions taken and adjustments proposed by Staff subject to five modifications from Staff's proposals in Direct Testimony. First, with respect to the Deferred Tax Calculation Associated with Staff's OPEB Rate Base adjustment, the associated decrease in Deferred Taxes/Increase in Rate Base shall be \$52,080. Second, with respect to the Deferred Tax Calculation Associated with Staff's Tank Painting Rate Base adjustment, the associated decrease in Deferred Taxes/Increase in Rate Base shall be \$26,430. Third, to the extent that Incentive Compensation exceeds the FICA cap, \$775 and the associated Working Capital should be restored to Staff's adjustment. Fourth, the Company's Uncollectible Percentage is 1.1083% and its Net Uncollectibles Expenses shall be adjusted to \$142,811; this results in a (\$46,821) adjustment to the Company test year Uncollectibles Expense. Fifth, Parent Company Service charges shall be adjusted from \$547,787 to \$492,092; this reduces Staff's proposed adjustment from \$81,900 to \$55,695, plus a 1/8 increase to Working Capital.

Aqua and Staff agreed to stipulate that the Company's capital structure is 0.93% short-term debt, 46.71% long-term debt, 0.24% preferred stock and 52.12% common equity. Aqua and Staff agreed to stipulate that the overall rate of return shall be 8.80% and the return on common equity shall be 10.75%.

II. ISSUES RESOLVED IN TESTIMONY

A. Cost of Service Study for Hawthorn Woods and Willowbrook Water Divisions

The Company did not initially perform a cost of service study ("COSS") for the Hawthorn Woods and Willowbrook Water Divisions. Company witness Monie states that the Company did not perform a COSS of these smaller divisions because the customer bases are so similar in nature that preparing a traditional COSS would provide little benefit. Aqua Ex. 4.0, p. 3, Hawthorn Woods Water Division; Aqua Ex. 4.0, p. 3, Willowbrook Water Division. Though Staff accepted the Company's across-the-board rate design for the two sewer divisions, it would not accept such treatment for the two smaller water divisions. In her May 8, 2008 Direct Testimony, Staff witness Harden indicated that she planned to perform her own COSS. Staff Ex. 5.0, Ins. 215-216. On July 2, 2008, the Company presented its own COSS for the Hawthorn Woods and Willowbrook Water Divisions. Aqua Ex. 7.0, Schedules 7.1 and 7.2. During the rebuttal phase, the Company continued to support its proposed across-the-board rate design. Based on the information provided by the Company, Staff witness Harden proposed rates for Hawthorn Woods and Willowbrook Water Divisions in her Rebuttal Testimony. Staff Ex. 9.0, Schedules 9.01 and 9.02. In its Surrebuttal Testimony, the Company agreed to adopt the rates proposed by Staff witness Harden.

B. Tariff Design Changes for the Vermilion Water Division

In rebuttal testimony, the Company accepted Staff's recommended tariff design, which was based upon Staff's COSS, as set forth in Staff Ex. 4.0. Further, the Company agreed with Staff's rate adjustment proposal, whereby if the difference between the revenue requirement adopted by the Commission and the amount proposed by Staff is relatively minor, at 5% or less, each of Staff's proposed usage charges should be adjusted by a uniform percentage to recover the revenue requirement adopted by the Commission. The large industrial customer's (TeePak) overall cost of service should continue to be set at 51.7% and any changes should be made through the usage charge. All standby rates would continue to be based upon the overall percentage increase. If the difference between the revenue requirement adopted by the Commission and recommended by Staff is more than 5%, then a revised Staff COSS would be developed so that rates, including the large industrial customer (TeePak), can be determined based upon the test year revenue requirement authorized by the Commission's Order. Staff Ex. 4.0, Ins. 420-431.

Staff's Direct Testimony accepted the Company's proposal to eliminate the "Interim Provision For Drinking Water For Infants Six Months Of Age Or Less" tariff and the Company's proposal to file a revised QIPS tariff (ILL.C.C. No. 47, Section No. 8, Information Sheet) with the QIPS percentage set to 0%. Staff Ex. 4.0, Ins. 839-44.

C. Vermilion Water Division's Philo Public Fire Protection Service Charge

Staff recommends that the Vermilion Water Division's Philo public fire protection service charges be limited to three times the current Philo public fire protection service charges. Staff Ex. 8.0R, Ins. 78-80. The Company agreed to utilize Staff's proposed Philo public fire protection service charges. Aqua Ex. 8.0, Ins. 180-82.

D. Customer and Billing Unit Information

Staff witness Johnson recommended that Aqua be required, in its next filed rate case, to provide all work papers, including data and an explanation, of how the pro forma number of customers and billing units were derived. Also, Staff stated that the assumptions used to adjust customers and billing units should be clearly explained. Staff Ex. 4.0S, Ins. 59-62. Aqua accepted Staff's recommendation in its Rebuttal Testimony. Aqua Ex. 6.0, Ins. 52-55.

E. Depreciation Rates for Hawthorn Woods and Willowbrook Water and Sewer Divisions and Vermilion Water Division

Company witness John Guastella prepared a comparative depreciation analysis for each division in order to determine average service lives and depreciation rates. Aqua Ex. 5.0 C, p. 7 – Hawthorn Woods Water & Sewer Divisions, Vermilion Water Division, Willowbrook Sewer Division, and Aqua Ex. 5.0 – Willowbrook Water Division.

Staff witness Johnson discussed the difference between the comparative depreciation analysis proposed by Aqua witness Guastella and an actuarial or simulated plant balance depreciation study that is performed when sufficient company data is available. Staff Ex. 4.0, Ins. 632-645. Staff did not object to the Company's proposed average service lives, net salvage values, and depreciation rates since they were in the range of the sources identified by Company witness Guastella. Staff Ex. 4.0, Ins. 728-730. Staff recommended that the Commission accept Aqua's proposed average service lives, net salvage ratios, and depreciation rates found on Aqua Ex. 5.2. Staff Ex. 4.0, Ins. 851-852.

However, Staff urged the Company to re-examine its data records before the next rate case for the Kankakee and Vermilion Divisions. Mr. Johnson pointed out that the Kankakee Division has been in the Consumers Illinois Water Company ("CIWC") family since approximately 1963 when CIWC was formed as a wholly-owned subsidiary of Kankakee Water Company and has been regulated by the Commission since at least 1949. In 1986, CIWC acquired the common stock of Inter-State Water Company and has been regulated by the Commission since at least 1922. Mr. Johnson stated that if the Company can find relative information in sufficient quantity to perform a comprehensive actuarial or simulated plant balance depreciation study, such information should be used since it would reflect actual historical Company specific data and would better represent the service lives, net salvage ratios, and depreciation rates associated with the Company. Staff Ex. 4.0, Ins. 733-746.

Staff witness Johnson also suggested that Aqua consider creating water meter subaccounts for depreciation purposes so that they reflect the water meter policy the Company follows (*i.e.*, an account for water meters replaced every four years, an account for water meters replaced every six years, an account for water meters replaced every ten years, an account for water meters that are tested, etc.). Another option would be for the Company to simply create two water meter subaccounts, one for water meters that are replaced and another for water meters that are tested. Staff witness Johnson stated that he would like Aqua to take the water meter recordkeeping suggestions into consideration so when the time comes to perform an actuarial or simulated plant balance depreciation study there is specific water meter data available. Staff Ex. 4.0, Ins. 799-815.

III. UNRESOLVED ISSUE

The Public Utilities Act requires that each public utility that provides water and sewer service must establish a unit sewer rate, subject to review by the Commission, that applies only to those customers who use less than 1,000 gallons of water in any billing period. 220 ILCS 5/8-306(h). Staff recommended that the Company propose a tariffed rate for both Hawthorn Woods and Willowbrook Sewer Divisions. Staff Ex. 5.0, Ins 238-240 and Staff Ex. 9.0, Ins. 113-115. The Company, in Surrebuttal Testimony, proposed a low usage sewer rate which discounts its flat fee by \$1.00 per month. Because Staff is not willing to accept the Company's proposal, and given the inability to reach an accord on this issue, Staff and the Company have agreed to brief this sole remaining issue for the Hawthorn Woods and Willowbrook Sewer Divisions. The schedule agreed upon by the parties would permit the entry of a final order prior to November 30, 2008.

IV. THE COMMISSION AUTHORITY TO ACCEPT THE STIPULATION

A. Legal Standard

Staff and Aqua have reached a Stipulation that, based upon our review of the matter, appears to resolve all contested issues between Staff and Aqua in the Hawthorn Woods Water Division, Willowbrook Water Division and Vermilion Water Division proceedings. The Commission notes that the Attorney General's Office is not a party to the Stipulation. It appears that the Attorney General did not object to resolution of these matters upon the terms set forth in the Stipulation or otherwise materially participate in these proceedings.

The Illinois Supreme Court, in the matter Business and Professional People for the Public Interest v. Commerce Commission, 136 Ill. 2d 192; 555 N.E.2d 693; 1989 Ill. Lexis 166; 144 Ill. Dec. 334 (1989) (hereafter "BPI"), outlined, in considerable detail, this Commission's authority to entertain and adopt a settlement. The Court made clear that this Commission is not foreclosed from entertaining and adopting a non-unanimous settlement, stating as follows:

Absent statutory law to the contrary, we have no quarrel with the Commission's ability to *consider* a settlement proposal not agreed to by all of the parties and the intervenors as a

decision on the merits, as long as the provisions of such a proposal are within the Commission's power to impose, the provisions do not violate the [Public Utilities] Act, and the provisions are independently supported by substantial evidence in the whole record.

BPI at 218, 555 N.E.2d at 704, 1989 Ill. Lexis at 34.

The Commission's review of the Stipulation, and any findings that would result from the adoption thereof, reveals nothing that violates the Public Utilities Act. Thus, under BPI, it must be determined whether the provisions of the Stipulation are within the Commission's authority to impose, and whether record evidence supports each of the provisions.

B. Record Support for Stipulation

To enter an Order imposing the terms of the Stipulation, there must be substantial evidence in the record to support each provision. Staff and Aqua have, in the Stipulation, provided citations to support each term and condition thereof. These are as follows:

1. The agreed revenue requirement for Hawthorn Woods Water Division shall be equal to \$492,338, which, according to Aqua and Staff, finds support in the record and is set forth in Staff Ex. 1.0, Schedule 1.01 HW, page 1 of 3. The agreed revenue requirement for Hawthorn Woods Sewer Division shall be equal to \$290,809, which, according to Aqua and Staff, finds support in the record and is set forth in Staff Ex. 1.0, Schedule 1.01 HS, page 1 of 3. The agreed revenue requirement for Willowbrook Water Division shall be equal to \$713,187, which, according to Aqua and Staff, finds support in the record and is set forth in Staff Ex. 1.0, Schedule 1.01 WW, page 1 of 3. The agreed revenue requirement for Willowbrook Sewer Division shall be equal to \$877,238, which, according to Aqua and Staff, finds support in the record and is set forth in Staff Ex. 1.0, Schedule 1.01 WS, page 1 of 3. The agreed revenue requirement for Vermilion Water Division shall be equal to \$14,874,080, which, according to Aqua and Staff, finds support in the record and is set forth in Appendix C of the Stipulation.
2. The agreed upon capital structure for Vermilion Water Division of 0.93% short-term debt, 46.71% long-term debt, 0.24% preferred stock and 52.12% common equity is nearly identical to that proposed by the Company and reasonably similar to that originally proposed by Staff. Aqua Schedule D-1, Staff Ex. 3.0, Schedule 3.01 VW.
3. The agreed upon capital structure and all other factors produce for Vermilion Water Division an 8.80% overall rate of return, including a return on equity of 10.75%, which is nearly identical to that

proposed by Staff and reasonably similar to that originally proposed by the Company. Staff Ex. 3.0, Ins. 748-50 and Aqua Ex. 3.0 VW.

4. In Aqua's future general rate increase requests, Aqua will provide all work papers, including data, an explanation of how the pro forma number of customers and billing units were derived, and an explanation of the assumptions used to adjust customers and billing units.
5. The Company's agreement to this Stipulation is contingent on the Commission approving the Stipulation in its entirety without imposing any additional conditions, limitations, or restrictions upon Aqua that Aqua deems to be materially adverse to its interest. Should the Commission fail to adopt the Stipulation in its entirety or otherwise impose additional conditions, limitations or restrictions upon Aqua other than those agreed to within this Stipulation that Aqua deems to be materially adverse to its interests, Aqua and Staff agree that Aqua shall no longer be bound by the terms of this Stipulation and may advance any alternative position during the remainder of the case before the Commission and upon appeal to the courts or any other tribunal with jurisdiction.

With respect to the first point above, the Commission has reviewed the record and, based upon it, find substantial evidence to support the agreed upon revenue requirements. Staff Ex. 1.0, Schedule 1.01 HW, page 1 of 3; Staff Ex. 1.0, Schedule 1.01 HS, page 1 of 3; Staff Ex. 1.0, Schedule 1.01 WW, page 1 of 3; Staff Ex. 1.0, Schedule 1.01 WS, page 1 of 3; and Appendix C of the Stipulation set forth the agreed upon revenue requirements. Accordingly, the Commission finds that the agreed upon revenue requirement have ample support in the record.

With respect to the second and third points above, the Commission finds that the agreed upon 8.80% overall rate of return for Vermilion Water Division is supported by Staff Ex. 3.0, and Aqua Ex. 3.0 VW. The agreed upon return on equity of 10.75% finds support in Staff Ex. 3.0, Ins. 748-750.

Point four set forth above calls for the adoption of a Company-specific filing requirement for future rate cases. To the extent that evidentiary support is required for the imposition of these requirements, it is supported in the record in Aqua Ex. 6.0, Ins. 52-55.

In summary, the Commission finds that the Stipulation is supported by substantial evidence in the whole record, as that term is understood in BPI case.

V. JUSTNESS AND REASONABLENESS OF RATES

Having fully addressed the question of whether the Commission may lawfully impose the terms of the Stipulation, the Commission must also address the question of whether the Commission should approve the Stipulation. Under Section 9-201 of the

Public Utilities Act, the Commission's obligations in this proceeding include the following:

If the Commission enters upon a hearing concerning the propriety of any proposed rate or other charge, classification, contract, practice, rule or regulation, the Commission shall establish the rates or other charges, classifications, contracts, practices, rules or regulations proposed, in whole or in part, or others in lieu thereof, which it shall find to be just and reasonable.

Thus, while Staff and Aqua are free to agree that the rates resulting from the Stipulation will result in just and reasonable rates, the Commission is not obliged to accept this agreement. Accordingly, the question of justness and reasonableness of rates needs to be reviewed as it would be in any other contested rate case.

It is observed that the revenue requirements provided for in the Stipulation increase the Company's revenue requirements in each of the five divisions. The Commission notes that the Company has voluntarily agreed to cap the increases sought and that the record in these proceedings support the increases agreed upon by Staff and Aqua.

A. Commission Analysis and Conclusion

In summary, the Commission finds the Stipulation to produce just and reasonable rates. This conclusion is based on the following reasons.

First, the Stipulation results in adoption of many of the recommendations of Staff and the counter-proposals of the Company. This indicates that the Company made concessions in order to achieve resolution by settlement rather than litigation. Despite its efforts to resolve all issues, the Company was unable to reach an accord with Staff on the issue of rates for low usage sewer customers. The parties have agreed to brief that issue going forward while allowing the three water divisions, where all issues have been resolved, to proceed to conclusion in this Interim Order.

Second, only Staff and Aqua presented overall positions on the revenue requirement and other issues in the case. The Attorney General, who was the only other party to intervene, offered no testimony on any issue.

Third, the Commission notes that the Stipulation adopts a term and condition for Aqua's future general rate increase filings to which the Company has voluntarily agreed. To the extent this Commission would not have legal authority to impose this term and condition upon Aqua or would need to conduct an industry-wide rulemaking proceeding to consider them, the fact that Aqua's voluntarily agreed in the context of the Stipulation significantly advances the Stipulation's reasonableness.

On balance, therefore, the Commission finds the revenue requirement, rate base, and rate of return proposals set forth in the Stipulation are just, reasonable, and fully

supported by the evidence in the record. Accordingly, the terms and conditions of the Stipulation in their entirety are adopted in this proceeding.

B. Approved Rate Base

Company witness Paul Hanley sponsored schedules presenting the proposed rate base for each division of the Company. Aqua Ex. 2.0. Staff proposed the following adjustments to rate base that were accepted by the Company in the Stipulation:

(1) Organization Costs

Staff witness Pearce proposed to reclassify the proportionate share of organization costs incurred in the acquisition of Hawthorn Woods water and sewer assets from the utility plant accounts of Hawthorn Woods Sewer Division to Hawthorn Woods Water Division, along with a related share of accumulated depreciation. The Company agreed to this adjustment in the Stipulation at pp. 2-3.

(2) OPEB Liability

Staff witness Pearce reduced rate base for the jurisdictional portion of accrued OPEB liability for all five divisions. Staff Ex. 1.0, Schedules 1.08 HW, HS, WW, WS and VW. The Company accepted Staff's adjustment, subject to the inclusion of the deferred tax impact for the Vermilion Division adjustment in the Stipulation at pp. 7-8.

(3) Tank Painting

For the Vermilion and Willowbrook Water Divisions, Staff witness Hathorn adjusted tank painting deferred charges to reflect the actual cost of the projects. Staff Ex. 2.0, Schedules 2.01 VW and WW. The Company agreed to Staff's adjustments, subject to the inclusion of the deferred tax impact for the Vermilion Division adjustment, in the Stipulation at pp. 5 and 8.

The Commission concludes that the rate base proposed by the Company and Staff in the Stipulation is reasonable and should be adopted for ratemaking purposes in this consolidated docket.

1. Aqua's Hawthorn Woods Water Division rate base may be summarized as follows:

<u>Approved Rate Base</u>	
<u>Hawthorn Woods Water</u>	
(\$)	
Gross Utility Plant in Service	\$8,138,411
(Less) Accumulated Depreciation and Amortization	<u>(566,460)</u>
Net Plant	7,571,951
Deferred Charges	368
Materials and Supplies	13,219
Cash Working Capital	33,428

Amortization of CIAC	282,563
SFAS 87 Pension	(19,348)
Customer Advances	(19,175)
Contributions in Aid of Construction	(4,550,000)
Deferred Income Taxes	(356,899)
Accrued OPEB Liability	(2,980)
Total Rate Base	<u>\$2,953,127</u>

2. Aqua's Hawthorn Woods Sewer Division rate base may be summarized as follows:

Approved Rate Base
Hawthorn Woods Sewer
(\$)

Gross Utility Plant in Service	\$7,688,606
(Less) Accumulated Depreciation and Amortization	<u>(151,577)</u>
Net Plant	7,537,029

Deferred Charges	
Materials and Supplies	
Cash Working Capital	18,924
Amortization of CIAC	

SFAS 87 Pension	(10,210)
Customer Advances	(24,663)
Contributions in Aid of Construction	(4,900,000)
Deferred Income Taxes	(169,390)
Accrued OPEB Liability	(1,483)
Total Rate Base	<u>\$2,450,207</u>

3. Aqua's Willowbrook Water Division rate base may be summarized as follows:

Approved Rate Base
Willowbrook Water
(\$)

Gross Utility Plant in Service	\$4,995,162
(Less) Accumulated Depreciation and Amortization	<u>(600,061)</u>
Net Plant	4,395,101

Deferred Charges	112,015
Materials and Supplies	1,404
Cash Working Capital	41,745

Amortization of CIAC	52,070
SFAS 87 Pension	(44,945)
Customer Advances	(322,151)
Contributions in Aid of Construction	(1,112,570)
Deferred Income Taxes	(281,263)
Accrued OPEB Liability	(7,223)
Total Rate Base	<u>\$2,834,183</u>

4. Aqua's Willowbrook Sewer Division rate base may be summarized as follows:

Approved Rate Base
Willowbrook Sewer
(\$)

Gross Utility Plant in Service	\$6,643,351
(Less) Accumulated Depreciation and Amortization	<u>(190,506)</u>
Net Plant	6,452,845
Deferred Charges	1,230
Materials and Supplies	
Cash Working Capital	48,225
Amortization of CIAC	251,354
SFAS 87 Pension	(37,667)
Customer Advances	(193,045)
Contributions in Aid of Construction	(2,413,265)
Deferred Income Taxes	(363,836)
Accrued OPEB Liability	(6,056)
Total Rate Base	<u>\$3,739,785</u>

5. Aqua's Vermilion Water Division rate base may be summarized as follows:

Approved Rate Base
Vermilion Water
(\$)

Gross Utility Plant in Service	\$84,031,076
(Less) Accumulated Depreciation and Amortization	<u>(25,435,735)</u>
Net Plant	58,595,341
Deferred Charges	376,677
Materials and Supplies	385,592
Cash Working Capital	703,941

Amortization of CIAC	2,046,831
SFAS 87 Pension	(930,804)
Customer Advances	(905,655)
Contributions in Aid of Construction	(6,494,226)
Deferred Income Taxes	(4,362,399)
Accrued OPEB Liability	(131,035)
Total Rate Base	<u>\$49,284,263</u>

C. Approved Operating Revenues, Expenses, and Income

Company witness Paul Hanley sponsored schedules presenting the proposed operating statements for each division of the Company. Aqua Ex. 2.0. Staff proposed the following adjustments that were accepted by the Company in the Stipulation:

(1) Incentive Compensation and Executive Perquisites

Staff witness Pearce removed from the test year revenue requirements of all five divisions the cost of all incentive compensation expense and related payroll taxes (Staff Ex. 1.0, Schedules 1.09 HW, HS, WW, WS and VW) and nearly all executive perquisites. Staff Ex. 1.0, Schedules 1.10 HW, HS, WW, WS and VW. The Company agreed to Staff's adjustments, subject to the limitation imposed by the FICA cap, as described in the Stipulation at pp. 2-3 and 5-8.

(2) Rate Case Expense

Staff witness Pearce reduced the amount of rate case expense reflected in the test year revenue requirement for all five divisions (Staff Ex. 1.0, Schedules 1.11 HW, HS, WW, WS and VW) and indicated the possibility of further adjustments to rate case expense as the case progressed. The Company and Staff agreed on a final estimate of rate case expense for the instant proceeding that changed the adjustment proposed by

Staff witness Pearce in her aforementioned Direct Testimony. Based upon an equal spreading of the final estimate among all five divisions over a four year amortization period, the agreed upon reduction to rate case expense in the amount of \$6,604 for each respective division of the instant proceeding is reflected in the Stipulation and respective revenue requirements for all five divisions herein.

(3) Amortization of Organization Costs

Staff witness Pearce adjusted the utility plant accounts to reclassify organization costs incurred with the acquisition of Hawthorn Woods water and sewer assets separately from the utility plant balances. In Direct Testimony (Staff Ex. 1.0, Schedules 1.12 HW and HS), she further proposed to amortize these organization costs over a five year period instead of the average lives of the underlying assets acquired. In the Stipulation, Staff and the Company agreed that the organization costs should be reclassified separately from the utility plant balances, but also agreed that the amortization of such costs should reflect the average lives of the underlying assets

acquired. This agreement is reflected in the Stipulation and respective revenue requirements for both Hawthorn Woods Water and Sewer divisions herein.

(4) Tank Painting

For the Vermilion and Willowbrook Water Divisions, Staff witness Hathhorn adjusted tank painting amortization expense to reflect the actual cost of the projects. Staff Ex. 2.0, Schedules 2.01 VW and WW. The Company agreed to Staff's adjustments, subject to the inclusion of the deferred tax impact for the Vermilion Division adjustment, in its Stipulation at pp. 5 and 8.

(5) Uncollectibles Expense

For the Vermilion, Willowbrook Water, and Willowbrook Sewer Divisions, Staff witness Hathhorn adjusted uncollectibles expense to reflect a normal level based on an average four-year amount rather than calculated solely on the Company's projected level which included a higher expense due to its transition to a new Call Center/Billing and Work Order System which temporarily caused some bills to be delayed or questioned. Staff Ex. 2.0, Schedules 2.02 VW, WW, and WS. The Company agreed to Staff's adjustments, subject to a correction that Staff accepted, in its Stipulation at pp. 5, 6 and 8. The agreed-to change in uncollectibles expense also resulted in an adjusted uncollectibles percentage for use in the gross revenues conversion factor of 1.1083% for the Vermilion Division. Stipulation at 8.

(6) Parent Company Service Charges

For the Vermilion Division, Staff witness Hathhorn adjusted the Company's proposed allocated contractual expenses for charges it receives for services from its parent, Aqua America, Inc., and allocated charges for Illinois corporate costs from Aqua to reflect a more reasonable increase, based on the expected customer levels for the Illinois divisions receiving the charges and the Company's inflation rate. Staff Ex. 2.0, Schedule 2.03 VW. The Company agreed to Staff's adjustment, subject to a correction that Staff accepted, in its Stipulation at p. 8.

The Commission concludes that the agreed operating revenues, expenses, and income proposed by the Company and Staff for each division are reasonable and should be adopted for ratemaking purposes in this case.

1. The Commission concludes that Aqua's Hawthorn Woods Water Division operating income statement for the test year, as agreed upon by the Company and Staff, produces a return on rate base of 3.41%, for purposes of this proceeding as follows:

Approved Operating Income Statement
Hawthorn Woods Water

Operating Revenue	\$492,338
Total Operating Revenue	<hr/> 492,338

Uncollectibles Expense	182
Wages & Salaries	48,872
Employee Benefits	12,471
Purchased Power and Fuel	74,935
Chemicals	17,571
Contractual Services	40,852
Operation and Maintenance Expense	35,839
Materials and Supplies	7,676
Depreciation & Amortization	122,499
Regulatory Expense	0
Taxes other than Income	26,044
Total Operating Expense	
Before Income Taxes	386,941
State Income Tax	848
Federal Income Tax	3,771
Deferred Taxes and ITCs Net	0
Total Operating Expenses	391,560
Net Operating Income	\$100,778

The operating income statement reflects the revenue increase of \$127,643, or 35.00%, which is authorized in this Order.

- The Commission concludes that Aqua's Hawthorn Woods Sewer Division operating income statement for the test year, as agreed upon by the Company and Staff, produces a return on rate base of 2.45%, for purposes of this proceeding as follows:

Approved Operating Income Statement
Hawthorn Woods Sewer

Operating Revenue	\$290,809
Total Operating Revenue	290,809
Uncollectibles Expense	108
Wages & Salaries	41,735
Employee Benefits	6,575
Purchased Power and Fuel	5,500
Chemicals	
Contractual Services	57,202
Operation and Maintenance Expense	20,290
Materials and Supplies	2,829
Depreciation & Amortization	96,557

Regulatory Expense	0
Taxes other than Income	14,090
Total Operating Expense	<u>14,090</u>
Before Income Taxes	244,886
State Income Tax	(2,595)
Federal Income Tax	(11,529)
Deferred Taxes and ITCs Net	0
Total Operating Expenses	<u>230,762</u>
Net Operating Income	<u>\$60,047</u>

The operating income statement reflects the revenue increase of \$75,395, or 35.00%, which is authorized in this Order.

- The Commission concludes that Aqua's Willowbrook Water Division operating income statement for the test year, as agreed upon by the Company and Staff, produces a return on rate base of 6.50%, for purposes of this proceeding as follows:

Approved Operating Income Statement
Willowbrook Water

Operating Revenue	\$713,187
Total Operating Revenue	<u>713,187</u>
Uncollectibles Expense	3,095
Wages & Salaries	101,369
Employee Benefits	33,903
Purchased Power and Fuel	28,321
Chemicals	15,998
Contractual Services	69,044
Operation and Maintenance Expense	50,212
Materials and Supplies	6,427
Depreciation & Amortization	116,127
Regulatory Expense	0
Taxes other than Income	47,127
Total Operating Expense	<u>471,623</u>
Before Income Taxes	471,623
State Income Tax	10,699
Federal Income Tax	47,555
Deferred Taxes and ITCs Net	(912)
Total Operating Expenses	<u>528,965</u>

Net Operating Income \$184,222

The operating income statement reflects the revenue increase of \$184,900, or 35.00%, which is authorized in this Order.

4. The Commission concludes that Aqua's Willowbrook Sewer Division operating income statement for the test year, as agreed upon by the Company and Staff, produces a return on rate base of 6.47%, for purposes of this proceeding as follows:

Approved Operating Income Statement
Willowbrook Sewer

Operating Revenue	\$877,238
Total Operating Revenue	<u>877,238</u>
Uncollectibles Expense	5,908
Wages & Salaries	84,756
Employee Benefits	26,376
Purchased Power and Fuel	77,850
Chemicals	8,106
Contractual Services	82,537
Operation and Maintenance Expense	65,509
Materials and Supplies	2,892
Depreciation & Amortization	153,242
Regulatory Expense	0
Taxes other than Income	56,479
Total Operating Expense	<u>563,655</u>
Before Income Taxes	563,655
State Income Tax	13,814
Federal Income Tax	61,402
Deferred Taxes and ITCs Net	<u>(3,756)</u>
Total Operating Expenses	<u>635,115</u>
Net Operating Income	<u><u>\$242,123</u></u>

The operating income statement reflects the revenue increase of \$227,432, or 35.00%, which is authorized in this Order.

5. The Commission concludes that Aqua's Vermilion Water Division operating income statement for the test year, as agreed upon by the Company and Staff, produces a return on rate base of 8.80%, for purposes of this proceeding as follows:

Approved Operating Income Statement
Vermilion Water

Operating Revenue	\$ 14,874,080
Total Operating Revenue	<u>14,874,080</u>
Uncollectibles Expense	164,737
Wages & Salaries	1,089,432
Employee Benefits	490,048
Purchased Power and Fuel	511,405
Chemicals	421,544
Contractual Services	1,516,356
Operation and Maintenance Expense	911,985
Materials and Supplies	127,435
Depreciation & Amortization	2,485,637
Regulatory Expense	112,999
Taxes other than Income	<u>922,799</u>
Total Operating Expense Before Income Taxes	8,754,377
State Income Tax	332,083
Federal Income Tax	1,475,943
Deferred Taxes and ITCs Net	<u>(25,338)</u>
Total Operating Expenses	<u>10,537,065</u>
Net Operating Income	<u>\$ 4,337,015</u>

The operating income statement reflects the revenue increase of \$1,988,217, or 15.43%, which is authorized in this Order.

VI. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having given due consideration to the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) Aqua Illinois, Inc. provides water and sewer service to the public within the State of Illinois and, as such, is a public utility as defined in Section 3-105 of the Public Utilities Act;
- (2) the Commission has jurisdiction over the Company and the subject matter herein;
- (3) the recitals of fact and conclusions of law reached in the prefatory portion of this Interim Order are supported by the evidence in the record, and are hereby adopted as findings of fact and conclusions of law;

- (4) the Stipulation reached between Aqua and Staff is within the Commission's authority to approve and enter, is in the public interest, will result in just and reasonable rates, and accordingly should be approved and entered;
- (5) a test year for the determination of the rates for the Hawthorn Woods and Willowbrook Water and Sewer Divisions, herein found to be just and reasonable, of the 12 months ending December 31, 2008 is appropriate for purposes of this proceeding, and a test year for the determination of the rates for the Vermilion Water Division, herein found to be just and reasonable, of the 12 months ending December 31, 2009 is appropriate for purposes of this proceeding;
- (6) the Company's plant balance as of December 31, 2006, for the Hawthorn Woods Water Division in the amount of \$6,743,291, is approved for purposes of an original cost determination; the Company's plant balance as of December 31, 2006, for the Hawthorn Woods Sewer Division in the amount of \$7,427,018, is approved for purposes of an original cost determination; the Company's plant balance as of December 31, 2006, for the Willowbrook Water Division in the amount of \$4,478,223, is approved for purposes of an original cost determination; the Company's plant balance as of December 31, 2006, for the Willowbrook Sewer Division in the amount of \$6,347,609, is approved for purposes of an original cost determination; the Company's plant balance as of December 31, 2006, for the Vermilion Water Division in the amount of \$73,531,835, is approved for purposes of an original cost determination;
- (7) for purposes of this proceeding, the Hawthorn Woods Water Division's rate base for the test year ending December 31, 2008 is \$2,953,127; the Hawthorn Woods Sewer Division's rate base for the test year ending December 31, 2008 is \$2,450,207; the Willowbrook Water Division's rate base for the test year ending December 31, 2008 is \$2,834,183; the Willowbrook Sewer Division's rate base for the test year ending December 31, 2008 is \$3,739,785; and the Vermilion Water Division's rate base for the test year ending December 31, 2009 is \$49,284,263;
- (8) for the Vermilion Water Division, Aqua should be allowed to earn a just and reasonable return of 8.80% on its net original cost rate base, which incorporates a return on common equity of 10.75%;
- (9) for Hawthorn Woods Water Division, the agreed upon operating revenues of \$492,338 and net annual operating income of \$100,778 based on the test year approved herein are not derived from the rate of return set forth above; for Hawthorn Woods Sewer Division, the operating revenues of \$290,809 and net annual operating income of \$60,047 based on the test year approved herein are not derived from the rate of return set forth above; for Willowbrook Water Division, the agreed upon operating revenues of \$713,187 and net annual operating income of \$184,222

based on the test year approved herein are not derived from the rate of return set forth above; for Willowbrook Sewer Division, the agreed upon operating revenues of \$877,238 and net annual operating income of \$242,123 based on the test year approved herein are not derived from the rate of return set forth above; for Vermilion Water Division, the rate of return set forth above results in base rate operating revenues of \$14,874,080 and net annual operating income of \$4,337,015 based on the test year approved herein;

- (10) Aqua's rates which are presently in effect are insufficient to generate the operating income necessary to permit Aqua the opportunity to earn a fair and reasonable return on net original cost rate base; these rates should be permanently canceled and annulled;
- (11) the specific rates proposed by Aqua in its initial filing do not reflect various determinations made in this Order regarding revenue requirement, cost of service allocations, and rate design; Aqua's proposed rates should be permanently canceled and annulled consistent with the findings herein;
- (12) Aqua should be authorized to place into effect tariff sheets designed to produce annual base rate revenues of \$492,338 for Hawthorn Woods Water Division, \$290,809 for Hawthorn Woods Sewer Division, \$713,187 for Willowbrook Water Division, \$877,238 for Willowbrook Sewer Division, and \$14,874,080 for Vermilion Water Division; such revenues will provide Aqua with an opportunity to earn its approved rate of return set forth above; based on the record in this proceeding, this return is fair and reasonable;
- (13) the determinations regarding cost of service and rate design contained in the prefatory portion of this Order are reasonable for purposes of this proceeding; the tariffs filed by Aqua should incorporate the rates and rate design set forth and referred to herein;
- (14) new tariff sheets authorized to be filed by this Order should reflect an effective date not less than five (5) working days after the date of filing, with the tariff sheets to be corrected, if necessary, within that time period;
- (15) in Aqua's future general rate increase filings, Aqua shall provide all work papers, including data, an explanation of how pro forma number of customers and billing units were derived, and an explanation of the assumptions used to adjust customers and billing units;
- (16) resolution of the remaining issue in Hawthorn Woods and Willowbrook Sewer Divisions will be addressed in the Commission's Final Order to be entered on or before November 30, 2008; and

- (17) all motions, petitions, objections, and other matters in this proceeding which remain unresolved should be disposed of consistent with the conclusions herein.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the tariff sheets presently in effect rendered by Aqua Illinois, Inc. for the Hawthorn Woods Willowbrook, and Vermilion Water Divisions are hereby permanently canceled and annulled effective at such time as the new tariff sheets approved herein become effective by virtue of this Order.

IT IS FURTHER ORDERED that the proposed tariffs seeking a general rate increase, filed by Aqua Illinois, Inc. for its Hawthorn Woods and Willowbrook Water Divisions on November 16, 2007, and for its Vermilion Water Division filed on January 2, 2008, are permanently canceled and annulled.

IT IS FURTHER ORDERED that Aqua Illinois, Inc. is authorized to file new tariff sheets with supporting workpapers for its Hawthorn Woods, Willowbrook, and Vermilion Water Divisions in accordance with the Findings above, applicable to service furnished on and after the effective date of said tariff sheets.

IT IS FURTHER ORDERED that the original cost of plant at December 31, 2006, for the Hawthorn Woods and Willowbrook Water and Sewer Divisions and the original cost of plant at December 31, 2006, for the Vermilion Water Division as detailed in Finding (6) above, is approved as the original cost of plant in consideration of 83 Ill. Adm. Code 615.

IT IS FURTHER ORDERED in Aqua's future general rate increase filings, the Company shall provide all work papers, including data, an explanation of how pro forma number of customers and billing units were derived, and an explanation of the assumptions used to adjust customers and billing units.

IT IS FURTHER ORDERED that all motions, petitions, objections, and other matters in this proceeding which remain unresolved are to be disposed of in a manner consistent with the conclusions herein.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is not final; it is not subject to the Administrative Review Law.

By Order of the Commission this 27th day of August, 2008.

(SIGNED) CHARLES E. BOX

Chairman